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An Study About Factors Influencing Cross Cultural Negotiation In International Business

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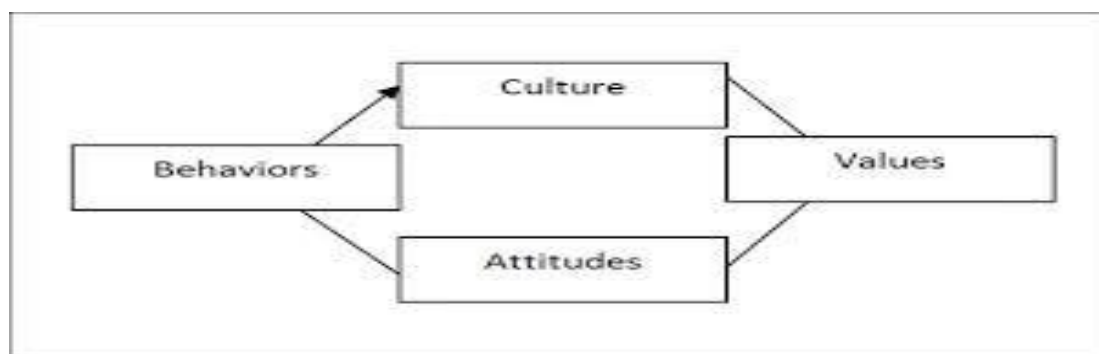
Abstract- Negotiation in general terms refers to the process of getting a fair price for our product. Cross culture is a vital issue in international business, as the success of international trade depends upon the smooth interaction of employees from different cultures and regions. Cross cultural negotiation is one of many specialized areas within the wider field of cross cultural communications. By taking cross cultural negotiation training, negotiators and sales personnel give themselves an advantage over competitors. There is an argument that proposes that culture is inconsequential to cross cultural negotiation. It maintains that as long as a proposal is financially attractive it will succeed. However, this is a naïve way of approaching international business. This article deals in detail about what are the influencing factors of Cross Cultural Negotiation.

KEYWORDS: Negotiation, Cross Cultural Negotiation, Competitors, Culture

I INTRODUCTION

A Culture - Defined

The customary beliefs, social forms, and material traits of a racial, religious, or social group; also: the characteristic features of everyday existence (as diversions or a way of life) shared by people in a place or time



'Cross Culture'-Defined

The interaction of people from different backgrounds in the business world. Cross culture is a vital issue in international business, as the success of international trade depends upon the smooth interaction of employees from different cultures and regions. A growing

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number of companies are consequently devoting substantial resources toward training their employees to interact effectively with those of companies in other cultures in an effort to foment a positive cross-cultural experience. Cross culture can be experienced by an employee who is transferred to a location in another country.

OBJECTIVES OF THE STUDY

- To study about the Theoretical Background of Cross Culture
- To study about Factors to be considered for an International Business
- Factors Influencing Cross-Cultural Negotiations
- To arrive at valuable Findings and Recommendations as a result of the study

II LITERATURE REVIEW- THE IMPACT OF CULTURE ON NEGOTIATIONS

International business comprises a large and increasing portion of the world's total trade (Johnson et al., 1994; Czinkota et al., 1995). The growth of international business has gained momentum faster than previously recorded, outstripping domestic business (Daniels and Radebaugh, 1995). The impact of such growth on many companies is that they are now "rushing to become insiders in international markets they formerly paid little attention to, or ignored completely" (McDaniel, 1990, p. 1).

International markets, it is believed, offer companies opportunities to market their products and services on a worldwide scale and reap the benefits of the particularly high stakes involved (Mintu and Calantone, 1991). Companies involved in international business, deal with sales transactions or negotiations which span national and cultural boundaries. That means, sales negotiators interact with individuals from unfamiliar cultures that exhibit different negotiation styles, behaviours and expectations about the normal process of negotiation (Graham and Sano, 1984).

This presents several potential culture-related obstacles that confront the international negotiator (Deutsch, 1984; Frank, 1992; Graham and Sano, 1984; Hall and Hall, 1987; Tung, 1984; Zimmerman, 1985) and a failure to anticipate, understand and effectively remove these obstacles can lead to a failure in cross-cultural negotiations. Competence, therefore, in international negotiations is one of the most important and indispensable skills in all kinds of international business (Fayerweather and Kapoor, 1972, 1976; Root, 1987; Wells, 1977).

Negotiation is one of the most important elements of the selling and buying functions, (Neslin and Greenhalgh, 1983). Negotiation is "a process in which two or more entities come together to discuss common and conflicting interests in order to reach an agreement of mutual benefit" (Harris and Moran, 1987, p. 55).

The negotiation process is a complex process which is significantly influenced by the culture(s) within which the participants are socialised, educated and reinforced (Graham, 1985a; Hamner, 1980; Harnett and Cummings, 1980; Tung, 1982).

The intra-cultural literature which examines sellers and buyers from the same cultures, provides evidence for this consistency (e.g. French (DuPont, 1982); Mexicans (Fisher, 1980); Brazilians (Graham, 1983, 1985a); Middle Eastern Arabs (Muna, 1973; Wright, 1983); Chinese (Graham and Lin, 1987; Pye, 1982; Shenkar and Ronen, 1987; Tung 1984) and Japanese (Graham, 1984; Tung, 1984; Van Zandt, 1970)). Despite the rather rich literature pertaining to intra-cultural negotiation behaviours, there is little attention paid to inter-cultural or cross-cultural negotiation behavior (Adler and Graham, 1989; Mintu and Calantone, 1991).

METHODOLOGY

- Research Type : Exploratory
- Data Collection Technique used : Secondary Data , through Referred Journals, Periodicals, Web Sites etc.

III THEORETICAL BACKGROUND

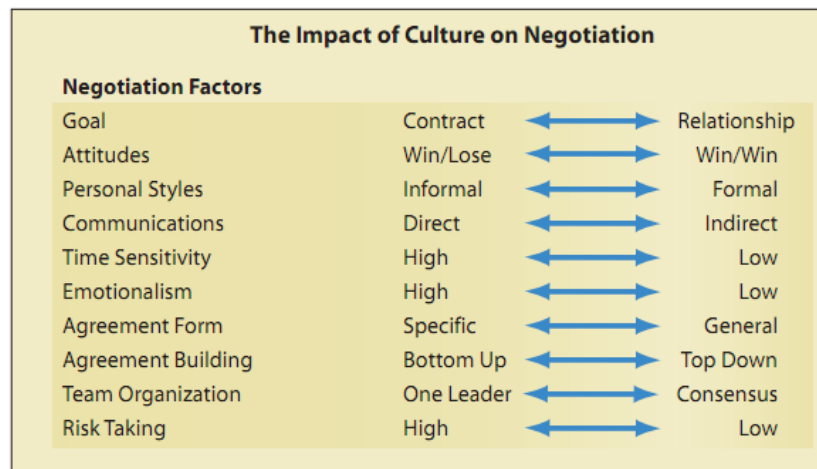
Factors to be considered for an International Business

When doing business internationally, we need to consider (Salacuse, 1991):

1. The negotiating environment
2. Cultural and sub-cultural differences
3. Ideological differences
4. Foreign bureaucracy
5. Foreign laws and governments

6. Financial insecurity due to international monetary factors
7. Political instability and economic changes

FACTORS INFLUENCING CROSS-CULTURAL NEGOTIATIONS



Negotiating Goal and Basic Concept: How is the negotiation being seen? Is mutual satisfaction the real purpose of the meeting? Do we have to compete? Do they want to win? Different cultures stress different aspects of negotiation. The goal of business negotiation may be a substantive outcome (Americans) or a long-lasting relationship (Japanese).

Protocol: There are as many kinds of business etiquette as there are nations in the world. Protocol factors that should be considered are dress codes, number of negotiators, entertainment, degree of formality, gift giving, meeting and greeting, etc.

Communications: Verbal and non-verbal communication is a key factor of persuasion. The way we express our needs and feelings using body language and tone of voice can determine the way the other side perceives us, and in fact positively or negatively contributes to our credibility. Another aspect of communication relevant to negotiation is the direct or indirect approach to exchanging information.

Risk-Taking Propensity - Uncertainty Avoidance: There is always risk involved in negotiations. The final outcome is unknown when the negotiations commence. The most common dilemma is related to personal relations between counterparts: Should we trust them? Will they trust us? Certain cultures are more risk averse than others, e.g. Japan (Hofstede 1980). It means that less innovative and creative alternatives are available to pursue during the negotiation, unless there is a strong trust-based relationship between the counterparts.

View of Time: In some cultures time is money and something to be used wisely. Punctuality and agenda may be an important aspect of negotiation. In countries such as China or Japan, being late would be taken as an insult. Consider investing more time in the negotiating process in Japan. The main goal when negotiating with an oriental counterpart is to establish a firm relationship, which takes time. Another dimension of time relevant to negotiation is the focus on past, present or future. Sometimes the past or the distant future may be seen as part of the present, especially in Latin American countries.

Decision-Making System: The way members of the other negotiating team reach a decision may give us a hint: who we shall focus on providing our presentation. When negotiating with a team, it's crucial to identify who is the leader and who has the authority to make a decision.

Form of Agreement: In most cultures, only written agreements stamp a deal. It seems to be the best way to secure our interests in case of any unexpected circumstances. The 'deal' may be the contract itself or the relationship between the parties, like in China, where a contract is likely to be in the form of general principles. In this case, if any unexpected circumstances arise, parties prefer to focus on the relationship than the contract to solve the problem.

Power Distance: This refers to the acceptance of authority differences between people. Cultures with low *power distance* postulate equality among people, and focus more on earned status than ascribed status. Negotiators from countries like Britain, Germany and Austria tend to be comfortable with shared authority and democratic structures. When we face a high *power distance* culture, be prepared for hierarchical structures and clear authority figures.

Personal Style: Our individual attitude towards the other side and biases which we sometimes establish all determine our assumptions that may lead the negotiation process towards win-win or win-lose solutions. Do we feel more comfortable using a formal or informal approach to communication? In some cultures, like America, an informal style may help to create friendly relationships

and accelerate the problem solving solution. In China, by comparison, an informal approach is proper only when the relationship is firm and sealed with trust.

COPING WITH CULTURE

Negotiating in the international environment is a huge challenge for any negotiator. How do we cope with the cultural differences? What approach is more efficient and proper when dealing with Japanese, Americans or Germans? There are some very helpful guidelines we can apply (Salacuse, 1991):

1. *Learn the other side's culture*

It is very important to know the commonest basic components of our counterparty's culture. It's a sign of respect and a way to build trust and credibility as well as advantage that can help us to choose the right strategies and tactics during the negotiation. Of course, it's impossible to learn another culture in detail when we learn at short notice that a foreign delegation is visiting in two weeks' time. The best we can do is to try to identify principal influences that the foreign culture may have on making the deal.

2. *Don't stereotype*

Making assumptions can create distrust and barriers that expose both your and the other side's needs, positions and goals. The way we view other people tends to be reserved and cautious. We usually expect people to take advantage of a situation, and during the negotiations the other side probably thinks the same way, especially when there is a lack of trust between counterparts. Instead of generalizing, we should make an effort to treat everyone as individuals. Find the other side's values and beliefs independently of values and beliefs characteristic of the culture or group being represented by your counterpart.

3. *Find ways to bridge the culture gap*

Apart from adopting the other side's culture to adjust to the situation and environment, we can also try to persuade the other side to use elements of our own culture. In some situations it is also possible to use a combination of both cultures, for example, regarding joint venture businesses. Another possible solution is to adopt a third culture, which can be a strong base for personal relationships. When there is a difficulty in finding common ground, focusing on common professional cultures may be the initiation of business relations.

FINDINGS

The top ten ways that culture can affect the negotiation when doing business internationally,

1. Negotiating goal: Contract or relationship?

Negotiators from different cultures may tend to view the purpose of a negotiation differently. For deal makers from some cultures, the goal of a business negotiation, first and foremost, is a signed contract between the parties. Other cultures tend to consider that the goal of a negotiation is not a signed contract but rather the creation of a relationship between the two sides. Although the written contact expresses the relationship, the essence of the deal is the relationship itself.

It is therefore important to determine how your counterparts view the purpose of your negotiation. If relationship negotiators sit on the other side of the table, merely convincing them of your ability to deliver on a low-cost contract may not be enough to land you the deal. You may also have to persuade them, from the very first meeting, that your two organizations have the potential to build a rewarding relationship over the long term. On the other hand, if the other side is basically a contract deal maker, trying to build a relationship may be a waste of time and energy.

2. Negotiating attitude: Win-Lose or Win-Win?

Because of differences in culture, personality, or both, business persons appear to approach deal making with one of two basic attitudes: that a negotiation is either a process in which both can gain (win-win) or a struggle in which, of necessity, one side wins and the other side loses (win-lose). Win-win negotiators see deal making as a collaborative, problem-solving process; win-lose negotiators views it as confrontational.

3. Personal style: Informal or formal?

Personal style concerns the way a negotiator talks to others, uses titles, dresses, speaks, and interacts with other persons. Culture strongly influences the personal style of negotiators. It has been observed, for example, that Germans have a more formal style than Americans. A negotiator with a formal style insists on addressing counterparts by their titles, avoids personal anecdotes, and refrains from questions touching on the private or family life of members of the other negotiating team. A negotiator with an informal style tries to start the discussion on a first-name basis, quickly seeks to develop a personal, friendly relationship with the other team, and may take off his jacket and roll up his sleeves when deal making begins in earnest.

4. Communication: Direct or indirect?

Methods of communication vary among cultures. Some emphasize direct and simple methods of communication; others rely heavily on indirect and complex methods. The latter may use circumlocutions, figurative forms of speech, facial expressions, gestures and other kinds of body language. In a culture that values directness, such as the American or the Israeli, you can expect to receive a clear and definite response to your proposals and questions. In cultures that rely on indirect communication, such as the Japanese, reaction to your proposals may be gained by interpreting seemingly vague comments, gestures, and other signs. What you will not receive at a first meeting is a definite commitment or rejection.

5. Sensitivity to time: High or low?

Discussions of national negotiating styles invariably treat a particular culture's attitudes toward time. It is said that Germans are always punctual, Latins are habitually late, Japanese negotiate slowly, and Americans are quick to make a deal. Commentators sometimes claim that some cultures value time more than others, but this observation may not be an accurate characterization of the situation. Rather, negotiators may value differently the amount of time devoted to and measured against the goal pursued. For Americans, the deal is a signed contract and time is money, so they want to make a deal quickly. Americans therefore try to reduce formalities to a minimum and get down to business quickly. Japanese and other Asians, whose goal is to create a relationship rather than simply sign a contract, need to invest time in the negotiating process so that the parties can get to know one another well and determine whether they wish to embark on a long-term relationship.

6. Emotionalism: High or low?

Accounts of negotiating behavior in other cultures almost always point to a particular group's tendency to act emotionally. According to the stereotype, Latin Americans show their emotions at the negotiating table, while the Japanese and many other Asians hide their feelings. Obviously, individual personality plays a role here. There are passive Latins and hot-headed Japanese. Nonetheless, various cultures have different rules as to the appropriateness and form of displaying emotions, and these rules are brought to the negotiating table as well. Deal makers should seek to learn them.

7. Form of agreement: General or specific?

Whether a negotiator's goal is a contract or a relationship, the negotiated transaction in almost all cases will be encapsulated in some sort of written agreement. Cultural factors influence the form of the written agreement that the parties make. Generally, Americans prefer very detailed contracts that attempt to anticipate all possible circumstances and eventualities, no matter how unlikely. Why? Because the deal is the contract itself, and one must refer to the contract to handle new situations that may arise. Other cultures, such as the Chinese, prefer a contract in the form of general principles rather than detailed rules.

8. Building an agreement: Bottom up or top down?

Related to the form of the agreement is the question of whether negotiating a business deal is an inductive or a deductive process. Does it start from an agreement on general principles and proceed to specific items, or does it begin with an agreement on specifics, such as price, delivery date, and product quality, the sum total of which becomes the contract? Different cultures tend to emphasize one approach over the other. Some observers believe that the French prefer to begin with agreement on general principles, while Americans tend to seek agreement first on specifics. For Americans, negotiating a deal is basically making a series of compromises and trade-offs on a long list of particulars. For the French, the essence is to agree on basic principles that will guide and indeed determine the negotiation process afterward. The agreed-upon general principles become the framework, the skeleton, upon which the contract is built.

9. Team organization: One leader or group consensus?

In any negotiation, it is important to know how the other side is organized, who has the authority to make commitments, and how decisions are made. Culture is one important factor that affects how executives organize themselves to negotiate a deal. Some cultures emphasize the individual while others stress the group. These values may influence the organization of each side in a negotiation.

IV CONCLUSION

Thus it is clear from the entire above context that cross culture negotiations has got a vital role to play in the success of an international business. Only when a business man is able to cope up with the culture and its changes he could shine in the field of international business as a successor. Emphasis should be given to the various factors that influence the cross culture negotiations and those factors should be strictly adhered to so that desired level of the outcome could be achieved.

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